

2024 budget deficit likely to be within ceiling

By Aubrey Rose A. Inosante
Reporter

THE National Government's (NG) budget deficit likely came in within the P1.52-trillion ceiling in 2024 as spending expected to have surged in December, analysts said.

"Possible, as a function of government spending growth, which tends to pick up towards the end of the year, as seen in recent years," Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said.

The Bureau of the Treasury reported that the budget deficit widened to P1.18 trillion in the first 11 months, from P1.11 billion a year earlier.

In November, the budget deficit more than doubled to P213 billion due to weak revenue collections and a pickup in spending.

Mr. Ricafort noted that the risk remains of a breach of the ceiling with large budget deficits of at least P300 billion posted every December since 2020.

He noted the "record monthly budget deficit" of P401 billion posted in December 2023.

John Paolo R. Rivera, senior research fellow at the Philippine Institute for Development Studies, said the NG is "likely to hit its P1.5-trillion deficit ceiling for 2024."

"While spending will increase, stronger-than-expected revenue collections and efforts to manage non-essential spending might help keep the deficit within

target," Mr. Rivera said via Viber message.

He also said the budget deficit for the remaining month will "remain elevated" but expects revenue to improve towards year's end due to corporate tax settlements and other collections, "but may not be enough to offset the spending surge."

He called the P4.38-trillion revenue target "challenging but achievable" if the collections in the last month remain strong.

"This is because December typically sees a surge in government spending, particularly for infrastructure projects, social services, and year-end bonuses for government employees. This seasonal trend will likely push spending higher," he added.

"The projection in the Philippine Development Plan is for the budget deficit to be lower this year due to increased tax take, but we will still have an actual deficit," Ateneo School of Government Dean Philip Arnold P. Tuaño told *BusinessWorld* on Wednesday.

A surplus — in which government revenue outweighs spending, would be difficult this year, he said.

"Since this is an election year, we expect expenditures to significantly increase at the start of the year before slowing just before elections," Mr. Tuaño said.

Meanwhile, Public finance expert Zyza Nadine M. Suzara said the actual deficit will depend largely on the government's spending efficiency.

She said that the NG often accelerates its disbursements towards the end of the year to prevent unspent funds from being returned to the Treasury.

However, Ms. Suzara said a lower-than-programmed deficit is also not necessarily a good thing especially if revenue targets are not exceeded.

"Since the government isn't actually expecting excess revenue, the lower-than-programmed deficit might be due to inefficiency," she added.

For 2025, the budget deficit may narrow slightly but will remain substantial, Mr. Rivera said, due to increased revenue collections from tax measures such as the value-added tax (VAT) on digital services and

measures targeting luxury consumption.

President Ferdinand R. Marcos, Jr. recently signed Republic Act No. 12023, which imposes a 12% VAT on foreign digital service providers and aims to collect P105 billion between 2025 and 2029.

He also said that stronger economic growth this year could boost revenue but any slowdown whether due to global headwinds or domestic challenges could negatively affect collections.

"The expected deficit in 2025 will be slightly less than P1.200 trillion so the required financing might be lower," Mr. Tuaño said, adding that lower interest rates in the previous months allow the NG to raise the needed resources.

Modest crop and livestock growth expected in 2025

THE gross value added (GVA) of crops and livestock is expected to post modest growth this year with the La Niña producing above-normal rainfall, the University of Asia and the Pacific (UA&P) Center for Food and Agribusiness (CFA) said.

In a report, the CFA estimated that crop and livestock GVA will grow by up to 1% in 2025, with poultry posting 5-6% growth. However, fisheries growth is expected to slow to 0.5%.

The CFA said that it expects increased food demand and higher spending this year due to the elections, especially during the campaign period.

"The election also presents an opportunity to push for needed reforms in the agriculture sector. Good governance is crucial to effectively implement agriculture programs," it said.

"A downside is that La Niña conditions, accompanied by above-normal rainfall, are seen to last until early 2025 and may affect agricultural activities," it added.

"Overall, the UA&P-CFA projects a 2024 decline of 1-2% in agriculture as against the 1.2% growth last year (2023)," it added.

In the first nine months of 2023, crops, livestock, and fisheries declined 4.2%, 3.3%, and 1% respectively. Meanwhile, poultry and agri-activities and services posted 6.6% and 2.9% growth, respectively.

Through the nine months, GVA in agriculture and fisheries declined by 1.5%.

Meanwhile, the CFA estimates crops to end 2024 with a 3.5% to 4.5% decline in GVA, while livestock and fisheries are projected to

post 2.5-3.5% and 1.5-2.5% declines, respectively.

The working range for GVA in agriculture and fisheries is a decline of between 1% and 2%.

The CFA said the bright prospects in agriculture include high-value crops, seaweed farming, free-range poultry, precision farming, root crops, organic certification, food processing, solar-powered irrigation, indigenous products, and agritourism.

"These areas have the potential to thrive and become significant contributors to the agricultural economy given strategic investments, market linkages, and strong government support coupled with private sector collaboration," it said.

"Addressing supply chain gaps, market access, and climate challenges can also further enhance the sector's contribution to food security and economic growth," it added.

However, it noted that the Philippines should embrace innovation to address outdated practices, limited infrastructure, climate vulnerabilities, and resource constraints.

"Agriculture is no longer just about growing crops or raising livestock; it is about cultivating innovation, nurturing sustainability, and harvesting opportunities for global progress," the CFA said.

"By embracing innovation, investing in education and infrastructure, supporting farmers, and promoting sustainable practices, the agriculture sector can be transformed into a robust foundation for food security, economic growth, and rural development," it added.

— **Justine Irish D. Tabile**



Budget priorities may be hostage to political schemes

THE GOVERNMENT'S 2025 spending plan may not support the administration's social and economic priorities as "budget politics" continues to affect allocations, GlobalSource Partners said.

"These budget politics in the Philippines are no less than a zero-sum game," GlobalSource Country Analysts Diwa C. Guinigundo and Wilhelmina C. Mañalac said in a report.

"Because in maintaining the favorite items of legislators for public works projects, there can only be so much left to be allocated to education, health and other key social amelioration projects possibly even transgressing the Constitution and the laws of the land," they said.

On Dec. 30, President Ferdinand R. Marcos, Jr. signed the P6.326-trillion budget bill while vetoing P194 billion worth of line items. He also rejected P168.24 billion in "unprogrammed" spending items, which will go through only if the government finds sufficient revenue.

The budget gave the highest allocation of P1.055 trillion to education, followed by the

Department of Public Works and Highways (DPWH) with P1.007 trillion.

The bicameral conference committee version of the bill gave the DPWH P1.1 trillion compared to P737-billion budget of the Department of Education (DepED), in violation of the constitution, which requires that education receive top priority in public spending.

"On the basis of President Marcos' pronouncements on the budget, he vowed to restore the amounts slashed from the DepED expenditure program. However, he seems to be convinced that the zero subsidy for Philippine Health Insurance Corp. (PhilHealth), should remain," the opposition-affiliated I Sambayan pressure group said.

Mr. Guinigundo and Ms. Mañalac, noting that the subsidy reduction was justified by the health insurer's P400 billion in reserve funds, called this reasoning "absurd" because the reserve funds are intended to cover any PhilHealth liabilities that may arise.

"Other civic organizations including the Makati Business Club

also found objectionable the retention of the AKAP (Ayuda para sa Kapos ang Kita program) or the social amelioration fund," they added, noting that these funds are prone to abuse.

"In the first place, if AKAP is for the poor and should be retained, several quarters are in a quandary why in the first place the health subsidy to PhilHealth was zeroed out when better coverage from the health insurance directly benefits the poor."

The GlobalSource analysts said that with the reduction in infrastructure projects, it may look like the education sector will be receiving a slightly higher priority in compliance with the Constitution. However, PhilHealth's zero subsidy puts the 2025 budget in violative of the Constitution and various laws.

"In the absence of a law on confidential and intelligence funds, appropriations for these items are also questionable. It is also obvious that the President decided not to touch the higher allocations to both the House of Representatives and the Senate," they said.

They warned that programs addressing poverty, education quality, health, income inequality, and fiscal sustainability are likely to worsen.

"In keeping the fundamental allocations and priorities of the original version, the President seems to have failed to address I Sambayan's call for him to 're-convene the bicameral conference committee' and correct those "glaring anomalies" in the budget," they said.

According to the Department of Budget and Management, the spending plan increased 10.1% from the year-earlier P5.768 trillion.

However, social services spending, which will provide funding for education, culture and manpower development, health, social security, welfare, and employment, was not given increased allocations and stayed at P2.121 trillion.

Meanwhile, economic services funding grew to P1.853 trillion, followed by general public services at P1.083 trillion and debt servicing P876.7 billion. — **Aubrey Rose A. Inosante**

Initial 2,000 hectares of Iwahig penal colony to be turned over for economic zone conversion

By Justine Irish D. Tabile
Reporter

THE Philippine Economic Zone Authority (PEZA) said that it is ready to receive the initial 2,000 hectares of the Iwahig Prison Penal Farm early next year for conversion into an economic zone.

The conversion of the Palawan site is the result of a partnership with the Bureau of Corrections (BuCor).

"BuCor is ready to turn over to PEZA the initial 2,000-hectare area for ecozone development complete with topography and

geohazard maps and the verified survey reports identifying the bounds of the property," PEZA Director General Tereso O. Panga told *BusinessWorld* via Viber.

"We will formalize our memorandum of agreement (MoA) and usufructuary agreement by early next year," he added.

Earlier this year, PEZA and BuCor signed a memorandum of understanding (MoU) for the conduct of due diligence in the establishment of ecozones in BuCor properties.

Under the MoU, PEZA and BuCor will collaborate in attracting investment and creating economic opportunities by establishing

ecozones registered with PEZA in penal colonies.

According to BuCor, the idle land that could be used to set up ecozones could total 32,300 hectares.

These include 25,000 hectares in Iwahig, 7,000 hectares in Sablayan, Mindoro, and 300 hectares at the national penitentiary in Muntinlupa City.

"The next step is the MoA and usufructuary agreement for the assignment of the 2,000-hectare area to PEZA. Afterwards, we will go through the proclamation process," he said.

"It will need to go through Presidential proclamation before

we can invite locators to invest in the megazone," he added.

Next year, PEZA is targeting 30 ecozone proclamations, nearly double this year's proclamations.

The investment promotion agency proclaimed 16 ecozones involving investment of P5.637 billion in 2024.

According to PEZA, the target is to develop ecozones in more rural areas, noting that the growth areas for ecozone development are Calabarzon, Region 3, Cebu, and Mindanao.

Some 27 ecozones have been proclaimed during the Marcos administration, involving investment worth P9.715 billion.

Copra meal project set for W. Visayas expansion

THE Department of Agriculture (DA) said it will expand its Protein-Enriched Copra Meal (PECM) commercialization project to the Western Visayas to boost livestock production there.

The PECM, initially rolled out in Regions IV A and 9, is aimed at mitigating the rising costs of animal feed by using copra meal, a by-product of coconut farming, as a substitute for imported soybean meal.

Agriculture Secretary Francisco P. Tiu Laurel, Jr. said that the expansion of the project will help farmers and feed producers in the region who are facing rising prices of traditional feed ingredients.

"The program not only helps reduce feed costs but also supports the local economy by creating new markets for coconut by-products, which are often underutilized," he said in a statement on Wednesday.

Developed by the University of the Philippines-Los Baños Biotech Center employing a solid-state fermentation process, the PECM enhances copra meal's protein

content to 45%, bring it up to par with soybean meal.

According to the DA, feeding trials of the enriched copra meal, which include 200 kilos of PECM per ton of finfish feed and 100 kilos per ton of shrimp feed, returned a 3.9% and 0.4% reduction in feed costs compared to conventional commercial feed.

PECM was launched in 2022 to address supply disruptions caused by the pandemic and the Russian-Ukraine war.

"While COVID-19 has passed, the Russia-Ukraine conflict continues to disrupt global feed ingredient supply chains, keeping prices for essential commodities like soybean meal, feed wheat, and corn elevated," DA said.

"Russia and Ukraine together account for about 30% of global feed grain supply, further exacerbating the pressure on feed prices," it added.

The Philippine Statistics Authority reported that hog production in the Western Visayas dropped 23% to 158,471 metric tons (MT) in 2023. — **Justine Irish D. Tabile**



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Foreign investment marketing plan expected for completion by January

THE Board of Investments (BoI) said it expects to finalize its Foreign Investment Promotion and Marketing Plan (FIPMP) by January.

Lanie O. Dormiendo, a director at the BoI International Investments Promotion Service, told reporters that FIPMP has gone through public consultation.

"The deadline was set on Dec. 13 because the Inter-Agency Investment Promotion Coordination Committee (IIPCC) intends to finalize the FIPMP by January next year," she said in a recent briefing.

According to Ms. Dormiendo, the FIPMP will identify priority areas for promotion not just by the BoI but by all investment promotion agencies.

"As you know, the Philippine Economic Zone Authority is also a member of the IIPCC, and there will be identified targets also in the plan," she said.

Last month, the BoI invited the public to provide feedback on the draft FIPMP, which is designed to enhancing the Philippines' competitiveness in the face of stiff competition from elsewhere in Southeast Asia.

The marketing plan seeks to highlight the Philippines' unique advantages, such as its strong English proficiency, a robust business process outsourcing industry, and preferential trade agreements.

It also hopes to address any perceived barriers to investment, such as infrastructure challenges and regulatory uncertainty.

"By clearly communicating these strengths and addressing weaknesses, the country can better position itself as an attractive destination for global investors," according to the FIPMP draft.

"With the execution of this promotion and marketing plan, the Philippines is projected to increase foreign

direct investment (FDI) by 5%, with an additional percentage point of growth expected annually until 2028," it added.

Last month, the Bangko Sentral ng Pilipinas said that FDI net inflows slumped 36.2% to \$368 million in September.

This brought nine-month FDI net inflows to \$6.66 billion, up 3.8%.

According to the draft, the creation of a marketing and communication execution plan will be the next phase of the strategy.

"This execution plan will operationalize or create the necessary outputs based on the strategies discussed in this plan to ensure the successful delivery of the campaign," it said.

"This includes strengthening internal resources, elevating government partnerships, and optimizing digital platforms that can effectively support the plan's objectives," it added. — **Justine Irish D. Tabile**